

“(A) 14.75 percent in the case of compensation received during 2002,

“(B) 14.20 percent in the case of compensation received during 2003, and

“(C) in the case of compensation received during any calendar year after 2003, the percentage determined under section 3241 for such calendar year.

“(c) CROSS REFERENCE.—

**“For application of different contribution bases with respect to the taxes imposed by subsections (a) and (b), see section 3231(e)(2).”.**

(c) RATE OF TAX ON EMPLOYEES.—Subsection (b) of section 3201 is amended to read as follows:

“(b) TIER 2 TAX.—

“(1) IN GENERAL.—In addition to other taxes, there is hereby imposed on the income of each employee a tax equal to the applicable percentage of the compensation received during any calendar year by such employee for services rendered by such employee.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the term ‘applicable percentage’ means—

“(A) 4.90 percent in the case of compensation received during 2002 or 2003, and

“(B) in the case of compensation received during any calendar year after 2003, the percentage determined under section 3241 for such calendar year.”.

(d) DETERMINATION OF RATE.—Chapter 22 is amended by adding at the end the following new subchapter:

#### **“Subchapter E—Tier 2 Tax Rate Determination**

“Sec. 3241. Determination of tier 2 tax rate based on average account benefits ratio.

#### **“SEC. 3241. DETERMINATION OF TIER 2 TAX RATE BASED ON AVERAGE ACCOUNT BENEFITS RATIO.**

“(a) IN GENERAL.—For purposes of sections 3201(b), 3211(b), and 3221(b), the applicable percentage for any calendar year is the percentage determined in accordance with the table in subsection (b).

“(b) TAX RATE SCHEDULE.—

“Average account benefits ratio		Applicable percentage for sections 3211(b) and 3221(b)	Applicable percentage for section 3201(b)
At least	But less than		
	2.5	22.1	4.9
2.5	3.0	18.1	4.9
3.0	3.5	15.1	4.9
3.5	4.0	14.1	4.9
4.0	6.1	13.1	4.9
6.1	6.5	12.6	4.4
6.5	7.0	12.1	3.9
7.0	7.5	11.6	3.4
7.5	8.0	11.1	2.9
8.0	8.5	10.1	1.9
8.5	9.0	9.1	0.9
9.0		8.2	0

“(c) DEFINITIONS RELATED TO DETERMINATION OF RATES OF TAX.—

“(1) AVERAGE ACCOUNT BENEFITS RATIO.—For purposes of this section, the term ‘average account benefits ratio’ means, with respect to any calendar year, the average determined by the Secretary of the account benefits ratios for the 10 most recent fiscal years ending before such calendar year. If the amount determined under the preceding sentence is not a multiple of 0.1, such amount shall be increased to the next highest multiple of 0.1.

“(2) ACCOUNT BENEFITS RATIO.—For purposes of this section, the term ‘account benefits ratio’ means, with respect to any fiscal year, the amount determined by the Railroad Retirement Board by dividing the fair market value of the assets in the Railroad Retirement Account and of the National Railroad Retirement Investment Trust (and for years before 2002, the Social Security Equivalent Benefits Account) as of the close of such fiscal year by the total benefits and administrative expenses paid from the Railroad Retirement Account and the National Railroad Retirement Investment Trust during such fiscal year.

“(d) NOTICE.—No later than December 1 of each calendar year, the Secretary shall publish a notice in the Federal Register of the rates of tax determined under this section which are applicable for the following calendar year.”.

(e) CONFORMING AMENDMENTS.—

(1) Section 24(d)(3)(A)(iii) is amended by striking “section 3211(a)(1)” and inserting “section 3211(a)”.

(2) Section 72(r)(2)(B)(i) is amended by striking “3211(a)(2)” and inserting “3211(b)”.

(3) Paragraphs (2)(A)(iii)(II) and (4)(A) of section 3231(e) are amended by striking “3211(a)(1)” and inserting “3211(a)”.

(4) Section 3231(e)(2)(B)(ii)(I) is amended by striking “3211(a)(2)” and inserting “3211(b)”.

(5) The table of subchapters for chapter 22 is amended by adding at the end the following new item:

“Subchapter E. Tier 2 tax rate determination.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 2001.

The SPEAKER pro tempore (Mr. SUNUNU). Pursuant to the rule, the gentleman from Alaska (Mr. YOUNG) and the gentleman from Minnesota (Mr. OBERSTAR) each will control 20 minutes.

Mr. SAM JOHNSON of Texas. Mr. Speaker, does the gentleman from Minnesota oppose the bill?

Mr. OBERSTAR. No, I do not.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I am opposed and I would claim the time in opposition.

The SPEAKER pro tempore. The gentleman from Alaska (Mr. YOUNG) and the gentleman from Texas (Mr. SAM JOHNSON) each will control 20 minutes.

The Chair recognizes the gentleman from Alaska (Mr. YOUNG).

Mr. YOUNG of Alaska. Mr. Speaker, I ask unanimous consent to yield 10 minutes to the gentleman from Minnesota (Mr. OBERSTAR) for purposes of control.

The SPEAKER pro tempore. Without objection, the gentleman from Minnesota will control 10 minutes of the time.

There was no objection.

The SPEAKER pro tempore. The gentleman from Alaska is recognized for 10 minutes.

Mr. YOUNG of Alaska. Mr. Speaker, I yield myself such time as I may consume.

I strongly support H.R. 1140, the Railroad Retirement and Survivors' Improvement Act of 2001. Thanks to the heroic efforts of the Speaker of the House, the Honorable DENNIS HASTERT, we have been able to reach an agreement on this historic legislation.

H.R. 1140 is virtually identical to the railroad retirement bill that passed the House last year, 391 to 25, but was not taken up by the other body. This Congress made several technical changes, such as inserting updated effective dates. We have also included language drafted by the House Committee on the Budget that clarifies the authors' intent that transferring funds to the new investment trust does not result in outlays.

To address concerns raised about protecting the investment of tier 2 pension assets from possible influence by the Federal Government, we have also included labor and management selection process for the board of trustees who will manage those assets.

By moving a portion of the Railroad Retirement Trust Fund out of mandatory investment in Treasury bonds and giving it more investment flexibility, this landmark bill will provide enhanced benefits to railroad retirees, as